

Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 FEA-01
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00
EB-07 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-07 PA-01 PRS-01 /133 W
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P 220641Z DEC 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC PRIORITY 6901
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
US MISSION OECD PARIS UNN
USMISSION EC BRUSSELS
USINT BAGHDAD

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E.O. 11652: N/A
TAGS: ENRG, OPEC KU
SUBJECT: KUWAIT OIL MINISTER COMMENTS PUBLICLY ON DOHA AND ITS
AFTERMATH

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REF: (A) KUWAIT 5880, (B) KUWAIT 5852, (C) KUWAIT 5909

1. OIL MINISTER AL-KAZMI GAVE 40 MINUTE TV INTERVIEW DEC 20
ON DOHA OPEC MEETING AND ITS AFTERMATH. TEXT PUBLISHED IN LOCAL
PAPER, AL-ANBA, DEC. 21. HIGHLIGHTS FOLLOW.

2. KUWAIT'S POSITING AND ROLE AT DOHA KAZIMI SAID THAT, GIVEN WORLD INFLATION, LACK OF PROGRESS IN NORTH-SOUTH DIALOGUE AND 26 PERCENT RISE IN OPEC COUNTRY IMPORT PRICES, OIL PRICE RISE AT DOHA WAS INEVITABLE. KUWAIT PROMOTED 10 PERCENT PRICE RISE AS COMPROMISE IN LIGHT OF DEMANDS FOR EVEN GREATER INCREASE. \$800 MILLION OPEC SPECIAL FUND WAS KUWAITI IDEA, ARISING OUT OF KUWAITI SUGGESTION THAT 10 PERCENT OF PRICE INCREASE GO TO ASSISTANCE FOR LDC'S.

3. SAUDI ARABIA AND UAE VS. OPEC 11 KAZIMI SAID HE BELIEVED THAT THERE WOULD NOT BE "PRICE WAR" BETWEEN THE 11 OPEC COUNTRIES WHICH VOTED FOR A 10 PERCENT INCREASE AND SAUDI ARABIA/ UAE. SAG, KAZIMI NOTED, WAS ONE OF FOUNDERS OF OPEC AND HAD VOLUNTEERED TO LOWER ITS PRODUCTION 1975 TO LESS THAN 6 MILLION B/D TO SUPPORT OPEC PRICES. SAG WOULD NOT WISH TO RUIN ECONOMIES

OF GULF COUNTRIES. FURTHERMORE, SAUDI AND UAE OIL WAS OF SPECIFIC SULFUR CONTENT AND DENSITY AND SOLD TO CERTAIN REFINERIES. IT WOULD NOT BE THAT EASY TO MARKET INCREASED PRODUCTION. FINALLY, EVEN IF SAG INCREASED PRODUCTION FULL 3.5 MILLION B/D POSSIBLE AND UAE BY .5 MILLION B/D, THIS WOULD NOT MEET MARKET DEMAND, AND MOST CONSUMERS WOULD HAVE TO BUY CRUDE FROM THE 11. RESULT WOULD BE AVERAGE PRICE INCREASE OVERALL OF 8 TO 8.5 PERCENT.

4. LONG TERM CONTRACT LIMIT SWITCHING. EVEN GIVEN PRICE DIFFERENCES, KAZIMI SAID HE DOUBTED COMPANIES WITH LONG-TERM CONTRACTS WOULD "CHANGE FROM ONE PRODUCING COUNTRY TO ANOTHER SEEKING A SLIGHT REDUCTION IN THE PRICE AND THEREBY LOSE THE TRADITIONAL FRIENDSHIP AND HISTORICAL RELATIONS BETWEEN THEMSELVES AND THE COUNTRIES THEY ARE TIED TO BY CONTRACTS."
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5. PRODUCTION PROGRAMMING BY OPEC 11. KAZIMI SAID THAT, IF SAUDI AND UAE PRODUCTION DID INCREASE, THEN OTHER OPEC COUNTRIES WOULD HAVE TO MAKE OFFSETTING REDUCTION IN THEIR PRODUCTION. REDUCTION "CAN BE DIVIDED AMONG THE OPEC COUNTRIES FAIRLY". CONSULTATION BETWEEN 11 WOULD BE "EASY" AS "AN EXTRAORDINARY MEETING COULD BE HELD QUICKLY - FOR ONE DAY OR EVEN FOR A FEW HOURS. THE RATES COULD BE CALCULATED AND THE COUNTRIES WOULD BE BOUND BY IT."

6. EFFECT OF PRICE RISE ON KUWAIT. WHETHER OR NOT SAUDI ARABIA AND UAE INCREASE PRODUCTION, KUWAIT'S PRODUCTION WILL DECREASE, KAZIMI SAID, COUNTRY DID NOT EVEN REACH AVERAGE OF 2 MILLION B/D GOAL IN 1976. 10 PERCENT PRICE RISE WILL BE BALANCED BY REDUCTION IN PRODUCTION AND BY DRAIN OF KUWAIT'S CONTRIBUTION TO \$800 MILLION OPEC SPECIAL FUND, WITH RESULT THAT RISE WILL LEAD TO NO NET INCREASE IN KUWAIT'S INCOME.

7. COMMENT: DEC 20-21 VISITS OF INDONESIAN AND VENEZUELAN

OIL MINISTERS TO KUWAIT (SEPTTEL) AND KAZIMI'S COMMENTS ARE
PROBABLY BASIS FOR RUMOR CIRCULATING HERE THAT KUWAIT MAY HOST SPECIAL
CONFERENCE OF OPEC 11 TO DISCUSS APPORTIONING PRODUCTION CUT-BACKS
SHOULD SAG AND UAE INCREASE PRODUCTION. KAZIMI'S "THE SAUDIS WON'T
INCREASE AND ANYWAY IT DOESN'T MAKE ANY DIFFERENCE" LINE SUGGESTS
CONSIDERABLE KUWAITI UNEASE AT PRESENT SITUATION, WHICH PUTS
KUWAIT, WITH ITS HIGH SULFUR CRUDE, AT CONSIDERABLE COMPETITIVE DIS-
ADVANTAGE (REF A). NEVERTHELESS, GOK CABINET CONSIDERATION OF
QUESTION, AS REFLECTED BY KAZIMI'S REMARKS, APPEARS TO HAVE LED
TO POSITION TO HOLD THE LINE AND NOT WAIVER ON 10/15 PERCENT
INCREASE DECISION AT DOHA.
MAESTRONE

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